

## Senate Bill No. 1561

### CHAPTER 288

An act to amend Section 2.6 of, and to add Section 2.7 to, the San Bernardino County Flood Control Act (Chapter 73 of the Statutes of 1939), relating to water.

[Approved by Governor August 27, 2002. Filed with  
Secretary of State August 27, 2002.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1561, Soto. San Bernardino County Flood Control District: limited obligation notes.

Existing law authorizes the San Bernardino County Flood Control District to borrow money and incur indebtedness to meet short-term needs of any district zone by action of the county board of supervisors.

This bill would authorize the district to issue limited obligation notes after the adoption, by a <sup>4</sup>/<sub>5</sub> vote of all members of the board of the district, of a resolution. The bill would subject the issuance of the notes to certain requirements, including a requirement that the notes may not mature later than 10 years after the date of the issuance of the notes and a requirement that the amount of the notes outstanding at any one time may not exceed the sum of \$12,000,000.

*The people of the State of California do enact as follows:*

SECTION 1. Section 2.6 of the San Bernardino County Flood Control Act (Chapter 73 of the Statutes of 1939) is amended to read:

Sec. 2.6. (a) The district may borrow money and incur indebtedness pursuant to this section to meet the short-term needs of any zone by action of the board of supervisors and without the necessity of calling and holding an election in the district.

(b) The indebtedness may be incurred solely for the purpose of providing for a cashflow to handle temporary funding for local interest obligations for federal flood control projects or to provide a cashflow for other zone operations prior to receipt of annual tax revenues or other revenues.

(c) (1) Any negotiable promissory notes shall be issued after the adoption, by a four-fifths vote of all the members of the board, of a resolution setting forth the form of the notes, the maturity date or dates thereof, and the manner of execution thereof.

(2) Any negotiable promissory notes shall bear interest at a rate not exceeding the rate permitted under Article 7 (commencing with Section 53530) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code. The notes shall be general obligations of the zone payable from revenues and taxes, unless paid from other available funds of the zone, but in no event to exceed the maximum tax limitations as provided for in this act, in the same manner as bonds of the zone; and provided further, that the maturity shall not be later than five years from the date thereof and that the total aggregate amount of the notes outstanding at any one time for all zones within the district does not exceed the sum of eight million dollars (\$8,000,000).

SEC. 2. Section 2.7 is added to the San Bernardino County Flood Control Act (Chapter 73 of the Statutes of 1939), to read:

Sec. 2.7. (a) In addition to the notes issued pursuant to Section 2.6, the district may issue limited obligation notes after the adoption, by a four-fifths vote of all the members of the board, of a resolution reciting each of the following:

- (1) That the resolution is being adopted pursuant to this subdivision.
- (2) The purposes of incurring the indebtedness.
- (3) The estimated amount of the indebtedness.
- (4) The maximum amount of notes to be issued, and the source of revenue or revenues to be used to secure the limited obligation notes.
- (5) The maturity date of the limited obligation notes.
- (6) The form of the limited obligation notes.
- (7) The manner of execution of the limited obligation notes.
- (b) The resolution may also provide for any of the following matters:
  - (1) Insurance for the limited obligation notes.
  - (2) Procedures in the event of default, terms upon which the limited obligation notes may be declared due before maturity, and the terms upon which that declaration may be waived.
  - (3) The rights, liabilities, powers, and duties arising upon the district's breach of any agreement with regard to the limited obligation notes.
  - (4) The terms upon which the holders of the limited obligation notes may enforce agreements authorized by this section.
  - (5) A procedure for amending or abrogating the terms of the resolution with the consent of the holders of a specified percentage of the limited obligation notes. If the resolution contains this procedure, the resolution shall specifically state the effect of amendment upon the rights of the holders of all of the limited obligation notes.
  - (6) The manner in which the holders of the limited obligation notes may take action.



(7) Other actions necessary or desirable to secure the limited obligation notes or tending to make the notes more marketable.

(c) The limited obligation notes shall bear interest at a rate not exceeding the rate permitted under Article 7 (commencing with Section 53530) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

(d) The limited obligation notes may not mature later than 10 years after the date of the issuance of the notes, and the total amount of the limited obligation notes outstanding at any one time for all zones within the district may not exceed the sum of twelve million dollars (\$12,000,000).

(e) The agreement between the district and the purchasers of the limited obligation notes shall state that the notes are limited obligation notes payable solely from specified revenue of the district. The pledged revenue shall be sufficient to pay the following amounts annually, as they become due and payable:

(1) The interest and principal on the notes.

(2) All payments required for compliance with the resolution authorizing issuance of the notes or agreements with the purchasers of the notes.

(3) All payments to meet any other obligations of the district that are charges, liens, or encumbrances on the pledged revenue.

(f) The limited obligation notes are special obligations of the district, and shall be a charge against, and secured by a lien upon, and payable, as to the principal thereof and interest thereon, from the pledged revenue. If the revenue described in the authorizing resolution is insufficient for the payment of interest and principal on the notes, the district may make payments from any other funds or revenues that may be applied to their payment. The revenue and any interest earned on the revenue constitute a trust fund for the security and payment of the interest on and principal of the notes.

(g) So long as any limited obligation notes or interest thereon are unpaid following their maturity, the pledged revenue and interest thereon may not be used for any other purpose.

(h) If the interest and principal on the limited obligation notes and all charges to protect them are paid when due, the district may expend the pledged revenue for other purposes.

(i) Limited obligation notes of the same issue shall be equally secured.

(j) The general fund of the district is not liable for the payment of the principal or the interest on the limited obligation notes.

(k) The holders of the limited obligation notes may not compel the exercise of the taxing power by the district, other than the revenue pledged, or the forfeiture of the district's property.

(l) Every agreement shall recite in substance that the principal of, and interest on, the limited obligation notes are payable solely from the revenue pledged to the payment of the principal and interest and that the district is not obligated to pay the principal or interest except from the pledged revenue.

